

**U.S. Small Business Administration
West Virginia District Office**

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Eastern Seaboard SBA Lenders Conference

SBA's Region III will be hosting a lenders conference on Wednesday, September 27 through Friday, September 29, 2006 at the Carousel Resort Hotel and Condominiums in Ocean City, MD. Lenders, resource partners, and SBA personnel throughout the Eastern United States, which includes SBA Regions 1, 2, 3, and 4, will join together to discuss SBA lending topics. This is your chance obtain additional knowledge of SBA's loan programs and other credit risk mitigation tools. This conference has been designed to provide intensive training to both new and seasoned SBA lenders and will provide a forum for you as an SBA lending partner to voice your opinion and ideas as to how the SBA can better serve you and the small business community.

The agenda will feature breakout sessions and keynote speakers from the Federal Reserve as well as a panel of senior staff members from SBA headquarters and invites speakers from small business Congressional committees. There will also be side trips to Rehoboth Beach, DE for shopping and a golf outing in Ocean City. For more information, contact David Manley at the West Virginia District Office at (304) 623-5631 ext. 231 or by email at david.manley@sba.gov.

We hope to see you there!

FY 2005 Top Lenders Recognized

On May 10, 2006, the West Virginia District Office recognized the top lenders for fiscal year 2005. The event, which took place at the Charleston Marriott in conjunction with the 2006 Small Business Week Awards Banquet, recognized West Virginia's top Community Bank, The First State Bank in Barboursville; top Community Express lender, Innovative Bank; and top Large/National lender, Capital One.

FY 2006 rankings for the top lenders in the three categories are as follows:

Community Banks (less than \$500M in assets)

1. First State Bank – 10 loans for \$1.276M
2. Freedom Bank – 7 loans for \$3.7M
3. Guaranty Bank & Trust – 5 loans for \$952K

Large and National Banks (more than \$500M in assets)

1. JP Morgan/Chase – 14 loans for \$2.1M
2. Capital One – 12 loans for \$465K
3. BB&T – 10 loans for \$878K

Community Express Lenders

1. Innovative Bank – 63 loans for \$690K
2. Business Loan Center – 12 loans for \$316K
3. Superior Financial Group – 6 loans for \$42K

For a complete listing of lender rankings for FY 2006 as of June 30, visit the Lending page off the West Virginia web page at www.sba.gov/wv/WV_FINANCING.html.

SBA News – New Administrator Sworn In

Steven C. Preston was sworn in as Administrator of the U.S. Small Business Administration on Monday, July 10, 2006.



Preston is a former business executive with broad experience in financial management and executive leadership. He is the 22nd Administrator of the SBA since the agency's establishment in 1953, succeeding Hector V. Barreto.

During his confirmation hearing on June 21, Preston emphasized the importance of sophisticated financial management, operational responsiveness and a customer service culture at the SBA. "None of this happens by accident," he said. "It requires dogged focus to move the ball forward each and every day."

Until recently, Preston was Executive Vice President of The ServiceMaster Company, a major franchising organization with thousands of small businesses in its network. Preston also had served as Chief Financial Officer. He previously had been Senior Vice President and Treasurer of First Data Corporation, and an investment banker at Lehman Brothers.

He currently serves as vice chairman of the Board of Visitors for the Weinberg College of Arts and Sciences at Northwestern University, and has served on numerous boards of philanthropic and other organizations. Preston graduated with Highest Distinction from Northwestern University with a political science degree, and received an MBA from the University of Chicago Graduate School Of Business. He also has studied at the Ludwig-Maximilians-Universitat in Munich, Germany.

Lender Training Coming to Your Area

The West Virginia District Office is continuing its series of lender training sessions throughout the state. The sessions will feature presentations on SBA loan programs, including SBAExpress and 504, and the services provided by the local Small Business Development Center and other local economic development organizations. New and seasoned SBA lenders will benefit from information presented at the events and receive answers to any SBA



questions you may have. Plan now to attend a session near you.

The dates, cities, time and contact phone number for the events are as

follows:

July 25 – Princeton – 11:30 a.m. – 800-766-4556

August 9 – Charleston – 8:30 a.m. – 888-982-7232

August 31 – Mason County – 304-696-6789

Sept. 6 – Parkersburg – 11:30 a.m. – 304-424-8277

Sept. 19 – Beckley – 11:30 a.m. – 800-766-4556

October 13 – Huntington – 304-696-6789

SBAExpress

We are pleased to announce the following lending institutions have been recently certified as SBAExpress lenders.

- United Bank
- First Sentry Bank
- Rock Branch Community Bank
- First Century Bank, N.A.
- Citizens Savings Bank

Has your lending institution applied for SBAExpress status? Don't miss out on this great opportunity to get a 50 percent guarantee from the SBA, use your own loan procedures, mostly your own forms, and your own collateral policy for loans up to \$150,000. With SBAExpress, you can make revolving lines of credit and collateral is not required for loans under \$25,000. For more information, contact Dave Manley (david.manley@sba.gov) at (304) 623-5631 ext. 231.

IRS Forms

SBA Information Notice, 5000-991 issued June 23, 2006 announced that the IRS has issued a Revision of IRS Form 4506-T. The new IRS Form 4506-T (April 2006) with the SBA Logo on the form is now available on SBA's Banking site at www.sba.gov/banking. The new form is to be used instead of previous IRS Form 4506-T (November 2005).

This Notice applies to the 7(a) and 504 Loan Programs. Questions or concerns may be directed to Renee Hall at (202) 283-0379, Alonzo Manzy at (202) 283-2397, or Lenn Fagan at (202) 205-6301 (email: Leonard.fagan@sba.gov)

Fraudulent Schemes Detected on SBAExpress Loans

Fraudulent schemes have been detected by the Office of Inspector General (OIG) on a number of SBAExpress loans. This alert is to



make you aware of some of the patterns and indicators seen in investigations in the hope of curtailing fraud associated with this program. While there is

no evidence that these fraud cases constitute a large percentage of SBAExpress Loans, we are asking all lenders to maintain a high level of diligence to identify and prevent this type of fraudulent activity. Lenders that identify fraudulent activity should refer the matter to the OIG for investigation.

The Western Regional Office of the OIG Investigations Division is currently conducting various investigations involving the SBAExpress Loan Program. In one case, in response to a referral from a bank, the office is investigating a scheme being perpetrated by a loan packager involving 57 loans of smaller dollar value (generally under \$50,000) where the business applicants either did not exist or presented false business histories. Fortunately, the bank caught on to the fraud and not all of these loans were made. We have identified similar plots that are being perpetrated against other lenders. We are working with the banks to investigate these schemes and will seek criminal prosecution, where appropriate.

Some of the patterns and indicators we are seeing in these schemes include:

- 1) The fraud schemes are perpetrated by a loan packager or broker and borrowers who the packager/broker has recruited through newspaper ads or in person at local organizations.
- 2) A number of these loans involved a packager/broker who recruits borrowers of the same ethnic group, who are often recent immigrants.
- 3) Multiple loan applications that reflect the same handwriting and business address.
- 4) False statements made as to the length of time a business has been in existence, the number of employees, sales figures, business address, and other information. In many cases, the businesses do not even exist.
- 5) Loan applications submitted to different lenders for the same business. The

borrower does not disclose that he/she has applied for loans elsewhere.

- 6) Borrowers using either false social security numbers or obtaining multiple loans through the same social security number.

To deter and prevent this fraud, if lenders are not already doing so, the OIG recommends that lenders take some or all of the following actions:

- 1) Monitor and track involvement of loan brokers and packagers in the loan application process. SBA Form 1919, SBAExpress and Community Express Information Form, requires SBAExpress applicants to disclose whether or not anyone assisted them in the preparation of their loan. It may also be helpful to ask the borrowers whether any loan agent or broker assisted with the loan application.
- 2) Take other steps to verify the existence, location and ownership of business borrowers through Dun and Bradstreet checks or other means, such as reviewing Secretary of State listings or conducting site visits. Our investigations have shown, for example, that fictitious businesses have never made required tax filings with the state department of revenue or boards of equalization, or filed other tax returns. Lenders are reminded of the IRS tax verification requirements found in the SBAExpress Program Guide.
- 3) Develop methods of ensuring that multiple loans are not being made to the same borrowers or businesses or to businesses located at the same address. In several cases, the same social security number has been used to obtain loans from the same lender to different borrowers.
- 4) Undertake greater efforts to make a positive identification of the borrower. In one case, the bank accepted a photocopy of the borrower's driver license, which had been altered. SBA Information Notice 5000-887, Lender Compliance with Treasury Requirements for Customer Identification Programs summarized lender obligations under Department of Treasury requirements for customer identification. Additionally, lenders should note that Section I of the Checklist, entitled Eligibility Information Required for SBAExpress submission, requires lender certification that the INS status of the applicant has been verified.
- 5) Question the borrower about any recent inquiries reflected on credit reports, because this may indicate that the borrower is attempting to obtain multiple loans. Also,

question the borrower about the lack of a credit history as this may indicate that the borrower is using a fictitious name, business or social security number.

If there are questions, or to report suspicious or potentially criminal conduct, contact the local OIG Investigative Office (see <http://www.sba.gov/ig/hotline.html>).

Thank You for Increasing SBA Loan Usage This Fiscal Year

We are through the third quarter of fiscal year 2006 and we'd like to thank the following lenders who have increased their SBA lending during FY 2006 over the same period last year.

- American National Bank
- American Partners Bank
- Branch Banking & Trust
- Business Loan Center
- Commerce Bank
- Community South Bank
- First Citizens Bank
- First Exchange Bank
- First National Bank
- First State Bank
- First State Bank, Conrad Iowa
- FNB Bank
- Freedom Bank
- Guaranty Bank
- Jefferson Security Bank
- JP Morgan Chase
- Poca Valley Bank
- Sovereign Bank
- Superior Financial Group
- West Union Bank
- Woodforest National Bank

Thank you to all of our lending partners who have worked with us in FY 2006. If you'd like to discuss ways you can increase your SBA loan activity, please call Dave Manley at (304) 623-5631 ext. 231 (email: david.manley@sba.gov).

Web Page Update

We have added a section for lenders on the West Virginia web site. Added is a link to the SBA's lending web site, a chart containing the loan volume by lender through the third quarter, links to Colson, and a 7(a) loan application checklist. Additional features will be added in the future. If you have any suggestions as to what you would like to see in this area, please let us know. To view the Financing page, go to the

following URL:

http://www.sba.gov/wv/WV_FINANCING.html.

Please direct your comments and suggestions to Rick Haney (email: richard.haney@sba.gov) at (304) 623-5631 ext. 230.

2007 Small Business Week Nominations Approaching

We will be soliciting nominations for Small Business Week 2007 soon. If you know of a worthy small business entrepreneur or champion that would fit our ten categories, please contact Rick Haney (email: richard.haney@sba.gov) at (304) 623-5631 ext. 230. Nominations will be due the early part of December. The ten categories are: Small Business Person; Small Business Exporter; SBA Young Entrepreneur; Jeffrey Butland Family-Owned Small Business; Minority Small Business Champion; Women in Business Champion; Veteran Small Business Champion; Home-based Business Champion; Financial Services Champion; Small Business Journalist.

Tips for 7(a) Lenders

- ✍ Quote the guaranty fee to your customers as a percentage of the total loan rather than the guaranteed portion.
- ✍ Consider making a companion line of credit (using SBAExpress) to accompany a 504 loan if the business needs working capital.
- ✍ Use E-Tran to submit your SBAExpress loans.
- ✍ If an applicant is near the \$150,000 threshold, consider putting off some financing until a later date (provided the business can forego the additional financing) to retain the higher guaranty and the lower guaranty fee.
- ✍ Remember, the guaranteed portion of a SBA loan does not count against your legal lending limit!
- ✍ Use the secondary market to increase profits!
- ✍ If you are making a 504 loan and a companion 7(a) loan, remember to submit the 7(a) loan first because lending limits are higher under the 504 program than 7(a).

KEY SBA INFORMATION

Maximum Guaranty Percentages

Regular 7(a) loans of \$150,000 or less.....	85%	SBAExpress (\$350,000 maximum).....	50%
Regular 7(a) loans greater than \$150,000.....	75%	SBA Export Express (\$350,000).....	85/75%
Export Working Capital Program.....		90%	

Guaranty Fees on loans exceeding 12 months in maturity. The Lender pays the fee and may pass it on to the borrower after first disbursement.

	<i>Based on SBA Guaranteed Portion</i>	<i>Based on Total Loan with Standard SBA Guarantees</i>	<i>Based on Total Loan with Express</i>
Loans of \$150,000 or less (Lender may keep .25% of fee)	2.00%	1.70%	1.0%
Loans between \$150,001 & \$700,000	3.00%	2.25%	1.5%
Loans greater than \$700,000	3.50%	2.625%	n.a.

Loans with a guaranteed portion in excess of \$1 million add an additional **.25%** guaranty fee on that portion.

The guaranty fee on a \$2,000,000 SBA loan is now \$53,750.

Guaranty Fee on all loans up to 12 months in maturity is only .25%, but must be submitted with the application

Lender Annual Service Fee: .545% of the outstanding balance of the SBA guaranteed portion of the loan. The fee is prorated and submitted monthly with your 1502 report (See Colson Services below for contact information). This fee may not be passed on to the borrower.

Interest Rate Limits

Term less than 7 yrs	WSJ Prime + 2.25%
Term of 7 yrs or more	WSJ Prime + 2.75%
Loan of \$25,000 or less	May add 2%
Loan of \$25,001 to \$50,000	May add 1%

SBAExpress limits are:

Prime rate + 4.5% for loans over \$50,000

Prime rate + 6.5% for loans of \$50,000 or less

West Virginia District Office Finance Division Staff

	Telephone	Individual Fax	e-mail addresses
David Manley	(304) 623-5631 ext 231	(202) 481-2617	david.manley@sba.gov
Naomi Bassel	(304) 623-5631 ext 225	(202) 481-4718	naomi.bassel@sba.gov

Key Web Sites

SBA Lender Homepage	www.sba.gov/banking
West Virginia District Office Homepage	www.sba.gov/wv/
SIC, NAICS codes and Size Standards	https://eweb1.sba.gov/naics
Franchise Registry Homepage	www.franchiseregistry.com/registry/
Immigration and Naturalization	www.ins.usdoj.gov/graphics/formsfee/forms
Exporting	www.export.gov

Important Addresses

West Virginia District Office
320 West Pike Street, Suite 330
Clarksburg, WV 26301
(304) 623-5631
Fax (304) 623-0023

**Sacramento Loan
Processing Center
(PLP and SBAExpress)**
U.S. Federal Courthouse
501 I St., Suite 12-100
Sacramento, CA 95814-2322
Fax (916) 930-2160

Guaranty Fee Payments
Small Business Administration
Denver, CO 80259-0001

**Little Rock Commercial
Loan Servicing Center**
2120 Riverfront Dr., Ste100
Little Rock, AR 72202
(501) 324-5871
Fax (501) 324-6072
Lrsc.servicing@sba.gov

Colson Services
150 Nassau St.
New York, NY 10038
(212) 266-7998
(212) 266-7828 (1502 HELP)

**National Guaranty
Purchase Center**
1145 Herndon Parkway
Herndon, VA 20170
(703) 487-9283
Fax (202) 481-4674
loanresolution@sba.gov
Hours: Monday to Friday
7:30 am to 6:30 pm